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SOURCE Jen-min Jih-pao.

OUTLINES TAX-COLLECTION METHODS IN PORT ARTHUR-DAIREN AREA

Considerable progress has been made in improving tax collection in the Port Arthur-Dairen area. A description of the system follows.

1. From ten to 20 firms are grouped into one small block and four small blocks into one large block. Block leaders are democratically elected by the firms and approved by the tax office. They are chosen from among the medium-sized or small firms and may even be shop employees. The period of service depends upon their efficiency. Changes may be made if the firms or the tax office decide the service is not satisfactory. The duties of the block leader are to assist in collecting taxes, to issue and receive the business reports from the firms in their block, prompt slow taxpayers, investigate tax leaks, propagandize the tax law and collection system, and give aid in understanding the accounting system, etc. Their service has been effective in smoothing relations between the tax office and business firms. This is called the block system. Tax cadres may be chosen from among promising shop workers.

2. Since 1948, the use of uniform account books has been required; these consist of a cost book and journal, and a stock record book where needed. In addition, a firm may have additional account books, but must register them with the tax office. Very small businesses need only use a small cash book. These account books are printed by the tax authorities and issued to the firms, after registration at the branch tax offices. This plan has the advantage of convenience in inspection to guard against false accounts and tax evasions. It is also a convenience in figuring income taxes.

3. Since June 1949, all large business houses and from January 1950, all factories, business houses, and shops except the smallest outdoor stands, barber shops, bathhouses and similar special-type businesses, have been required to use a uniform type of sales slip for each sale. This form of sales slip has a stub for permanent record. This makes work of tax inspectors much easier and prevents unrecorded business transactions. This system of uniform sales slips can be best controlled by having: (1) a special form for each type of business; (2) forms printed by one printing house and distributed by the tax bureau; (3) the members of each block group mutually assume responsibility to see that the plan is carried out in their block group, (4) the people to expect and call for sales slips, and (5) unannounced inspections by tax-office representatives and police.

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4. In the collection system, two inspector cadres are paired together; one is very familiar with business practice and the other with tax-collection. Each team is responsible for ten or more block groups of approximately 200 firms. These teams are responsible for investigation, computation of tax, exhorting payment, and reporting on changes in economic conditions in their areas, as well as seeking to strengthen the unity of the masses of all classes and development of prevention of clandestine operations. Some teams already have a thorough understanding of the situation in their areas and can make their computations on a thoroughly intelligent basis. They have had responsibility for good results from inspection to collection placed squarely upon them and the sense of responsibility of the cadres has been strengthened. Businessmen no longer dare to juggle accounts in an attempt to avoid taxes. Branch tax offices, by rewards for good collections and daily posting of collection results, have built up high morale.

The above represents the system the Port Arthur-Dairen area government has worked out for collection of business tax.

The practical application of the system is as follows:

1. The plan for collection of business tax is for the firms themselves to make monthly reports and honest payments. Inspections are made afterwards. The tax bureau, through the medium of the block leaders passes out the monthly business activities report blanks to the firms to be filled out and returned to the tax bureau within 3 days. The cadre teams then figure the assessments in triplicate and distribute them to the firms through the block leaders, who then make payment at the bank. During the period allotted for payment, the cadre teams are busy encouraging prompt payments, checking on business conditions of each firm, and securing information from the masses to aid them in apprehending tax evaders.

2. Income tax is collected semiannually. It is computed largely by taking into account business expenses and inventories. The tax bureau not only evaluates inventories but also has established principles governing business expenses, otherwise net profits would be subject to variations and tax income reduced. Income-tax collection methods have progressed to the point where the authorities do not wait until after the firms have reported and paid to inspect accounts. The cadre teams visit the firms, check up on the situation, assess the tax according to the accounts, and fill out the assessment blanks after the firm has concurred in the figure.

The introduction of this modern tax-collection system was not without its problems. For instance, the introduction of the universal use of sales slips raised the question of illiteracy. This was overcome by night school classes in reading, pasting printed name labels on goods to be copied in filling out sales slips, and the use of rubber stamps.

There was a question of how large a sale should be before a slip was required. After some experimentation it was decided to require them for all sales. The extra cost to the small helper, which was found to be about one percent of his business turnover would be made up in increased income because whereas formerly people were inclined to disregard paying a few odd cents on a bill, with the new system the amount taken in must match the amount of the sales slip. There was also the problem of itinerant salesmen and individuals selling personal property. This was also overcome by various devices.

It was also necessary, in introducing the new uniform account books, to open classes for block leaders who in turn taught the various firms in their blocks.

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This new modern system has resulted in better control with reduced personnel. Now, 133 tax-collection cadremen care for the monthly collections with little difficulty in the whole area with more than 11,000 firms; whereas, formerly, more than 200 collectors were required for Dairen alone with slightly over 7,000 firms. Moreover, in those days the collections were made only quarterly. Collections have improved and evasions are fewer.

The three taxes levied in the Dairen-Port Arthur area -- business tax, income tax, and revenue tax (on salt, tobacco, liquor and soft drinks) -- were more than 9 percent of the capital wealth of the are.

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